

COMMANDER FLEET ACTIVITIES YOKOSUKA
And
U. S. FLEET AND INDUSTRIAL SUPPLY CENTER, YOKOSUKA
REGIONAL COSBAL INVENTORY MANAGEMENT
BUSINESS CASE ANALYSIS

1. INTRODUCTION

1.1 Purpose.

This report provides the results and recommendations of a Business Case Analysis (BCA) to establish a partnership between Commander Fleet Activities Yokosuka (CFAY), Japan and U. S. Fleet and Industrial Supply Center, Yokosuka, Japan (FISC), for the regionalization and inventory management of CFAY's Coordinated Shorebased Allowance List (COSBAL).

1.2 Background.

FISC Yokosuka holds Navy Intermediate Level Retail Inventory (BP28) to support customers in Japan and in the Western Pacific. CFAY carries 4,440 consumer level line items to support five Yard Tug Boats (YTB's). This inventory is authorized by a COSBAL which is a consolidated listing of spares, repair parts and consumable items tailored to the requirements of shore activities to support organizational level maintenance of authorized equipment. To support CNO/NAVSUP infrastructure and inventory reductions initiatives and to support DOD Total Asset Visibility goals, COSBAL(s) are being incorporated into Regional COSBALs as part of FISC intermediate inventory levels. This allows redundant allowances to be optimized / singled up to support a region. Regional COSBAL allowances are computed annually by the Inventory Control Point (ICP) and are promulgated to FISC in the Operational Support Inventory Stock List (OSISL). The OSISL identifies all the ICP computed quantities applicable to the regional COSBAL holders. FISC Yokosuka currently supports eight COSBALs in its regional COSBAL.

1.3 Concept of Operations.

Under the proposed partnership, CFAY will transfer all consumer level assets authorized by current NAVICP COSBAL documents to FISC Yokosuka as an Other Supply Officer (OSO) transfer, without reimbursement. In essence, the CFAY inventory will be decapitalized to FISC. FISC Yokosuka will accept 100% of the inventory and will retain in stock, in accordance with established retention criteria. Numeric Stockage Objectives (NSO) would initially be established pending establishment of OSISL and Regional COSBAL allowances.

ATTACHMENT 1

PERFORMANCE GOALS

Physical Distribution:

Receipt-to-Stow Time	3 Days
Issue Group I Shipped On Time	≥ 93%
Issue Group II Shipped On Time	≥ 90%
Issue Group III Shipped on Time	≥ 85%

1.4 Scope.

This proposal specifically addresses CFAY COSBAL inventory management. CFAY will continue to provide supply support in terms of requisition preparation and receipt of DTO material.

1.5 Objective:

The objective of this BCA is to evaluate the financial and supply management benefits of regionalizing the CFAY COSBAL.

1.6 Major Assumptions.

1.6.1 Transfer of COSBAL inventory will occur at Memorandum of Agreement (MOA) implementation.

1.6.2 Upon approval of this BCA, FISC and CFAY will develop a Memorandum of Agreement (MOA) to define the following:

- (a) Performance standards for level of service provided to CFAY.
- (b) Details regarding inventory turnover.

1.6.3 FISC and CFAY will develop an Intra-Service Support Agreement (ISSA) to define any reimbursable / non-reimbursable services.

1.7 References.

- a. CINCPACFLT, HI MSG 022233Z APR 97.
- b. Data call listing CFAY COSBAL stock numbers / qty / on hand balance / dollar value.
- c. NAVSUP Business Case Analysis Guidelines, March 1995.

2.0 FUNCTIONAL REQUIREMENTS.

2.1 Overview of Current Operations.

2.1.1 CFAY - CFAY maintains an inventory of 4,440 number of line items. Of these, 1,475 line items, at a dollar value of \$251,680 are carried by FISC.

2.1.2 FISC - FISC maintains a material management staff to support 155,000 line items, with a dollar value of over \$565M. FISC currently manages, reconciles, and stocks regional COSBAL allowances for eight other commands.

2.2 Requirements.

2.2.1 CFAY: CFAY is seeking a reduction in inventory infrastructure and an increase in productivity through COSBAL regionalization by freeing up supply support personnel from inventory management functions. CFAY COSBAL management is performed by one Master Labor Contract (MLC) Japanese national employees. Current levels of service must be maintained or improved. The measures of effectiveness will be established in the Memorandum of Agreement.

2.2.2 FISC Yokosuka: FISC will provide asset visibility and cost effective service at the same or better level to CFAY.

3. FUNCTIONAL ANALYSIS.

3.1 BCA Methodology.

A BCA team, made up of representatives from both FISC and CFAY, was formed and conducted on site visits to discuss efficiencies. The FISC Business Office personnel reviewed inventory data calls in conjunction with information provided in references (a) and (b). The BCA was conducted using reference (c).

3.2 Baseline Cost Analysis: Productivity increases will occur by freeing up time from performing inventory and COSBAL management (ordering allowance deficiencies/ receiving material). Currently, one Master Labor Contract (MLC) employee expends one half of his time performing these inventory tasks, with an annual salary of \$55,000. This equates to cost avoidance of \$27,500. FISC will perform CFAY's inventory management without any increases in ADP costs.

3.3 Implementation Strategy.

CFAY will transfer, without reimbursement, all consumer level assets authorized by current NAVICP COSBAL documents to FISC Yokosuka as an Other Supply Officer (OSO) transfer (MTIS without credit). No implementation costs are expected, other than the movement of material to FISC warehouses and taking up the material on inventory records.

3.4 Benefits.

Regionalizing CFAY's COSBAL will :

- a. Reduce duplicative inventory functions and decrease duplicative inventory held at CFAY, by \$251,680.
- b. Support the Navy / DOD Total Asset Visibility (TAV) initiative using the UADPS inventory management system.
- c. Free up CFAY personnel currently performing supply support function to

- perform core mission support, a cost avoidance of \$27,500.
- d. Take advantage of FISC's inventory management expertise.

FISC is already designated a Regional COSBAL holder for eight other commands in Japan. Their allowances are included in our OSISL. Recently, the Commander Submarine Group Seven (CSG-7) COSBAL inventory was approved for transfer to the FISC Yokosuka Regional COSBAL/OSISL, increasing to nine the number of Regional commands FISC will be serving.

3.5 Comparison of Status Quo vs. FISC Proposal.

3.5.1 CFAY Status Quo - Currently, CFAY receives and processes NAVICP Monthly COSAL Maintenance Action Reports (MCMAR) in accordance with NAVICP / local directives. COSBAL additions are requisitioned using NAVSEA TOB funding. Deletes and decreases are also processed IAW NAVICP / local directives. Upon receipt of material, it is brought into inventory and the outstanding requisition is completed. CFAY also completes all required inventories.

3.5.2 FISC Proposal - Under the proposed partnership, COSBAL supply support for CFAY will be performed by FISC Yokosuka. FISC will retain all NAVICP/NAVSEA allowance quantities for DLR's for a period of no less than two years from date of MOA. Excesses generated as a result of NAVICP allowance changes may be considered for excess reporting in accordance with FISC excess reporting procedures. CFAY will still be responsible for reporting configuration changes to NAVICP, to ensure logistics support updates in the OSISL.

4.0 RECOMMENDATIONS.

A partnership between CFAY and FISC Yokosuka would support the DOD / Navy TAV initiatives and COSBAL regionalization initiatives. It is recommended that FISC Yokosuka's Operational Support Inventory Stock List (OSISL) include CFAY's COSBAL. This would reduce duplicative inventory held by CFAY by \$251,680, free up personnel for CFAY's mission support, generates \$27,500 in cost avoidance savings, and takes advantage of FISC's inventory management expertise.

In support of the CNO/NAVSUP infrastructure and inventory reduction initiatives, Rear Admiral A.H. Konetzni, USN, Commander, Submarine Group Seven (CSG-7) and Captain R.L. Milligan, Commanding Officer, FISC Yokosuka, signed a Memorandum of Agreement (MOA) to commence a new logistics partnership.

The CSG-7's Coordinated Shorebased Allowance List (COSBAL) is being incorporated into FISC Yokosuka's intermediate inventory levels, thereby reducing duplicative inventory held at CSG-7 by over \$160,000. By utilizing the Uniform Automated Data Processing System (UADPS) inventory management system, CSG-7 can take advantage of FISC's inventory management expertise. Productivity increases will also occur by freeing up CSG-7 supply personnel to perform core logistics support for deployed submarines.

FISC Yokosuka acts as a regional COSBAL holder, which is designated to be a source of support for other activities in the same geographical area. FISC Yokosuka currently supports eight COSBALs as a Regional COSBAL holder, including NAVCOMMTELSTA FAR EAST, NAF Atsugi, NAF Misawa, and MCAS Iwakuni.